

# Q3

**Interim Report**

January 1 to September 30, 2014

**LANXESS Group Key Data**

€ million	Q3 2013	Q3 2014	Change %	9M 2013	9M 2014	Change %
Sales	2,050	2,040	(0.5)	6,286	6,102	(2.9)
EBITDA pre exceptionals	187	210	12.3	559	654	17.0
EBITDA margin pre exceptionals	9.1%	10.3%		8.9%	10.7%	
EBITDA	166	183	10.2	501	582	16.2
EBIT pre exceptionals	73	110	50.7	233	353	51.5
EBIT	52	83	59.6	169	280	65.7
EBIT margin	2.5%	4.1%		2.7%	4.6%	
Net income	11	35	> 100	45	115	> 100
Earnings per share (€)	0.13	0.38	> 100	0.54	1.31	> 100
Cash flow from operating activities	378	201	(46.8)	311	388	24.8
Depreciation and amortization	114	100	(12.3)	332	302	(9.0)
Cash outflows for capital expenditures	146	112	(23.3)	398	374	(6.0)
Total assets				6,811 <sup>1)</sup>	7,360	8.1
Equity (including non-controlling interests)				1,900 <sup>1)</sup>	2,364	24.4
Equity ratio				27.9% <sup>1)</sup>	32.1%	
Net financial liabilities				1,731 <sup>1)</sup>	1,445	(16.5)
Employees (as of September 30)				17,343 <sup>1)</sup>	16,717	(3.6)

1) previous year as of December 31, 2013

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# Highlights

## Q3 2014

### LANXESS pressing ahead with realignment

In July the Board of Management initiated the "Let's LANXESS again" program, which is aimed at the global realignment of the company and is comprised of the following three phases:

- Competitiveness of the business and administrative structure
- Operational competitiveness
- Competitiveness of the business portfolio

In the first phase, LANXESS will reduce the number of business units from 14 to 10 with effect from January 1, 2015. This measure is intended to improve customer and market orientation and exploit synergies. In addition, the company is streamlining its administration worldwide through cross-functional workforce reductions and the consolidation of group functions. The responsible employee representatives are involved in the process.

The second phase will comprise a production optimization initiative to examine all production facilities including the supply chain with respect to market requirements and synergies. At the same time, an initiative to optimize sales and the value chain will evaluate the effectiveness and efficiency of the company's international sales and marketing structures.

LANXESS has already initiated the first steps of the third phase as well, which focuses on examining portfolio options as well as improving access to raw materials and customer markets – through alliances or sales collaborations, for example.

### Change on the Board of Management

Werner Breuers, who previously held responsibility on the Board of Management of LANXESS AG for the Performance Polymers and Advanced Intermediates segments, will leave the company at his own request after his service contract ends on May 31, 2015, in order to pursue new challenges. Mr. Breuers left the Board of Management effective midnight on August 5, 2014. He will however remain in an advisory role to LANXESS for a transitional period. The vacated position on the Board of Management is to be filled within one year. Until that time, CEO Matthias Zachert will temporarily assume responsibility for the aforementioned two segments.

### LANXESS once again listed in Dow Jones sustainability indices

For the fourth consecutive year, LANXESS has been included in the renowned DJSI World sustainability index. In connection with this regular evaluation, the company's inclusion in the DJSI Europe was also confirmed. The DJSI members are determined each year according to the best-in-class principle on the basis of economic, ecological and social criteria. Only the best companies from each of the 59 industries are selected as Sustainability Leaders. LANXESS is one of 11 chemical companies worldwide to be listed.

### Targeted expansion of production capacities

LANXESS commissioned its new plant for polyamide plastics in Antwerp, Belgium, at the beginning of the third quarter as planned. The High Performance Materials business unit's facility is designed for an annual capacity of around 90,000 tons. Following the start-up phase, capacity utilization at the plant will be gradually increased. LANXESS subsidiary Bond-Laminates GmbH has completed capacity expansion at its headquarters in Brilon, Germany, for the Tepex line of high-performance composite materials. In Leverkusen, LANXESS inaugurated an additional production line for the Liquid Purification Technologies business unit's weak acid cation exchange resins, thus increasing the capacity for this product by 30%.

In view of steadily increasing demand, especially from the automotive industry, the High Performance Materials business unit is adding a second production line to its compounding facility for high-tech plastics in Gastonia, United States. With this move, LANXESS will double capacity there from currently 20,000 to 40,000 tons per year. Production is scheduled to start at the beginning of 2016. In addition, LANXESS is strengthening its production network in China to meet the high level of demand for the iron oxide pigments of its Inorganic Pigments business unit by adding a mixing and milling facility to the pigment plant currently under construction in Ningbo. The plant complex is scheduled for completion in the fourth quarter of 2015 and the start-up of production for the first quarter of 2016.

# LANXESS Stock

The stock markets were negatively impacted in the third quarter by geopolitical developments and disappointing economic data. As a result, the price of our shares also declined significantly at times during the third quarter, closing at €43.71 on September 30.

Geopolitical developments put pressure on the stock markets right at the start of the third quarter. Due to the escalation of the crisis in Ukraine, the DAX slid well below the 10,000-point threshold. At the beginning of August, it further declined to a low of 8,903 points for the reporting period. As well as the Ukraine conflict, military strikes in Iraq and Syria also had a negative effect. Added to the geopolitical factors were disappointing economic data from the eurozone later in the third quarter that put pressure especially on the German indices.

The markets were buoyed only briefly in the third quarter by positive signals such as the European Central Bank's decision to maintain its expansionary monetary policy and the robust growth of the U.S. economy. The risks dominated the mood on the markets and led to declines particularly on the European stock markets. The DAX therefore closed the third quarter on September 30 at 9,474 points, down 3.6% on the quarter.

The LANXESS benchmark indices Dow Jones STOXX 600 Chemicals<sup>SM</sup> and MSCI World Chemical Index also registered declines during the quarter. The Dow Jones STOXX 600 Chemicals<sup>SM</sup> stood at 759.37 points on September 30, down 2.2%. The MSCI World Chemical Index closed the quarter down 1.0% at 251.53 points.

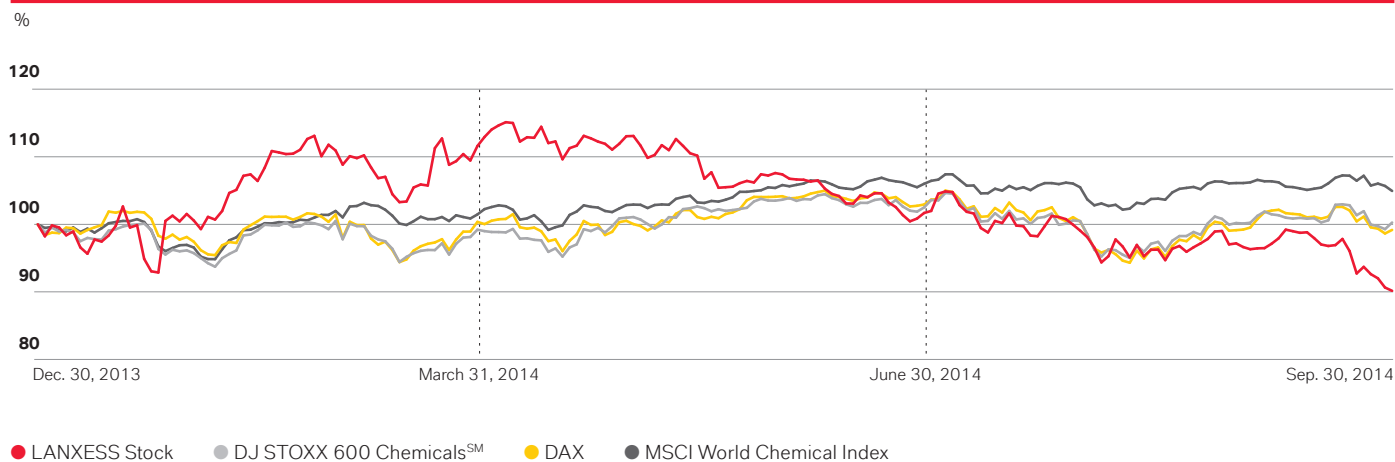
The performance of our stock was heavily impacted by the negative news in the market. It started the quarter at around €50, reaching a quarter high of €51.16 at the beginning of July before declining significantly at times over the rest of the period. Our stock came under pressure particularly in September. In addition to the aforementioned geopolitical events and economic developments, the price of our shares was depressed during this period by negative news from the automotive and tire industries. The price of LANXESS stock therefore fell below the €45 threshold in September and reached its lowest point in the third quarter on the final day of trading, at €43.37. Our stock closed at €43.71 on September 30, down 11.3% on the quarter.

Major company news during the reporting period concerned the "Let's LANXESS again" program. LANXESS announced the initiation of this program to realign the company at the end of July, and we provided further details in our reporting for the second quarter of 2014 at the beginning of August. The realignment of LANXESS will be implemented in a three-phase program focused on the areas "Competitiveness of the business and administrative structure," "Operational competitiveness" and "Competitiveness of the business portfolio." As part of the first phase, LANXESS will combine various business units and reduce their number from 14 to 10 effective January 1, 2015. LANXESS also published information about its plans to streamline the company and its administration worldwide through cross-functional workforce reductions and to consolidate individual areas.

These company events did not have a material impact on the development of our share price during the reporting period. The negative external events remained too dominant and continued to shape stock market dynamics at the beginning of the fourth quarter.

A summary of the developments at LANXESS during the third quarter is provided on page 1.

**Stock Performance vs. Indices**

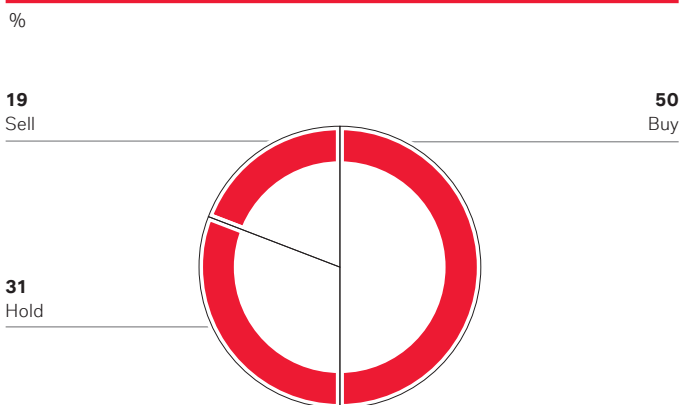


**LANXESS Stock**

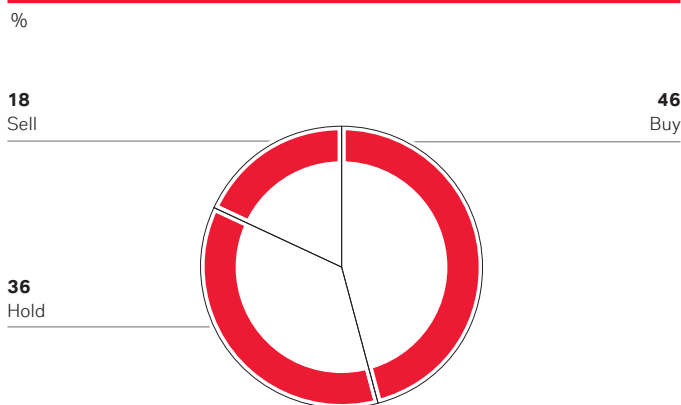
		Q4 2013	Q1 2014	Q2 2014	Q3 2014
Capital stock/no. of shares <sup>1)</sup>	€/no. of shares	83,202,670	83,202,670	91,522,936	91,522,936
Market capitalization <sup>1)</sup>	€ billion	4.03	4.56	4.51	4.00
High/low for the period	€	53.64/43.76	55.13/44.64	56.75/48.07	51.16/43.37
Closing price <sup>1)</sup>	€	48.48	54.75	49.30	43.71
Trading volume	million shares	45.817	70.901	38.903	41.129
Earnings per share	€	(2.45)	0.30	0.63	0.38

1) End of quarter: Q4: December 31, 2013, Q1: March 31, 2014, Q2: June 30, 2014; Q3: September 30, 2014

**Analyst Recommendations as of July 31, 2014**



**Analyst Recommendations as of October 31, 2014**



# Interim Group Management Report

as of September 30, 2014

- Sales stable against prior-year quarter (minus 0.5%)
- Lower selling prices diminished results
- Persistently difficult competitive situation for synthetic rubbers; good demand for agrochemicals
- EBITDA pre exceptionals up by 12.3% to €210 million
- EBITDA margin pre exceptionals 10.3% vs. 9.1% for the prior-year quarter
- Net income and earnings per share improve to €35 million and €0.38, respectively, against €11 million and €0.13 in prior-year quarter
- Guidance for 2014 confirmed: EBITDA pre exceptionals between €780 million and €820 million
- Progress with Group-wide realignment

## Group structure

### Legal structure

LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH and LANXESS International Holding GmbH are wholly owned subsidiaries of LANXESS AG and in turn control the other subsidiaries and affiliates both in Germany and elsewhere.

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 57 of the Annual Report 2013.

### Changes to the Group portfolio

In March 2014, LANXESS divested its wholly owned subsidiary Perlon-Monofil GmbH, Dormagen, Germany. There were no further changes in the Group portfolio in the reporting period. Details about the scope of consolidation are provided in the Notes to the Condensed Consolidated Interim Financial Statements as of September 30, 2014.

## Business and strategy

The LANXESS Group is structured in three segments, currently comprising a total of 14 business units, each of which conducts its own operations and has global profit responsibility. No changes were made to the Group's organizational structure or strategy in the reporting period. However, a new organizational structure will be implemented as part of the realignment of the LANXESS Group. The business units are supported by centralized services and by local organizations in the countries. Further details are given on pages 57 to 60 of the Annual Report 2013.

There were no material changes to the production base, product portfolio or principal sales markets in the reporting period.

## Economic environment and business development

### Business conditions

**General economic situation** The global economy grew by 3.5% in the third quarter of 2014 and thus at a faster rate than in both the preceding quarter and the prior-year period. Development was held back in part by the various regional crises. Economic output in Europe advanced at a low level, improving by 1.1% year on year in the third quarter. Driven by the persisting positive mood, the U.S. economy expanded by 2.3% compared with the prior-year period. Economic development in China showed a varied trend and closed the quarter up 7.3%, slightly below the growth forecast for the full year.

**Chemical industry** The chemical industry was unable to avoid the dampening effects of global developments, expanding more slowly in the third quarter than in the previous three-month period, at 2.8%. China continued to drive growth, although the pace of expansion slowed somewhat as the quarter progressed. Production in the United States saw robust development, while Europe registered slight growth.

**Evolution of major user industries** Automotive production showed an increase of 3.6% in the third quarter of 2014, driven primarily by development in China. While output in North America was above the prior-year level, development in Europe was down slightly compared with the third quarter of last year. In Brazil there were initial signs of a slight improvement compared to the weak second quarter. Development in Latin America as a whole, however, was very weak.

Demand for tires rose only modestly worldwide in the third quarter. In Europe, the tire market also expanded somewhat compared with the prior-year level. However, the tangible upswing seen in the replacement tire business in the industrialized countries in the first half of the year abated in the third quarter. The original equipment tire business mirrored the trend for vehicle production; development in China and North America was positive while the market in Brazil remained very weak.

Development in the construction industry varied by region, with positive growth overall in North America and a year-on-year drop in market momentum in Europe. The robust growth in China also began to cool down.

Demand for agrochemicals in Europe and China posted significant gains, while third-quarter production in the United States was slightly below the prior-year level.

## Comparison of forecast and actual business

For fiscal 2014 we generally prepared for different price trends for the various strategic raw materials and assumed a tendency toward higher procurement costs, particularly for petrochemical raw materials. This assessment was confirmed over the course of the first nine months. The price level for procuring our raw materials climbed compared with the end of 2013.

The development of our business so far was marked by the persistently challenging competitive situation for our synthetic rubber businesses. Our Performance Polymers segment saw sales decline in the first nine months of 2014, mainly due to the adjustment of selling prices. In the Advanced Intermediates segment, the forecasted continuing good demand for agrochemicals was confirmed. Sales of that segment increased year on year in the reporting period. Our Performance Chemicals segment also developed as anticipated, growing sales in the first nine months of 2014 due largely to an expansion of volumes.

EBITDA pre exceptionals in the reporting period was €654 million, and earnings thus rose substantially in the first nine months of 2014 compared with the same period of the previous year. As usual, the guidance we are now issuing for the current year can be found in the Outlook section of this interim management report.

### Comparison of Forecast and Actual Business in 2014

	Forecast for 2014 in Annual Report 2013/ Q1 Interim Report	Forecast for 2014 in H1 Interim Report	Actual Q3 Interim Report 9M 2014
<b>Business development: Group</b>			
EBITDA pre exceptionals	€770 – 830 million	€780 – 820 million	9M: €654 million
<b>Business development: segments</b>			
Performance Polymers	Slight improvement in demand in crucial automotive and tire industries; strongest momentum in emerging markets of Asia; continuing intense competition in synthetic rubber market	Muted development in demand; persistently challenging competitive environment for synthetic rubber business; good development in demand in the Chinese economic region	9M: sales (7.6)%
Advanced Intermediates	Good demand for agrochemicals; further temporary shutdowns scheduled for 2014	Continuing good demand	9M: sales +1.4%
Performance Chemicals	Slight improvement in demand; positive impetus from the construction industry	Unchanged	9M: sales +3.3%
<b>Raw material prices</b>			
	Varying price trends for different strategic raw materials; overall trend toward higher procurement costs, with continuing volatility	Unchanged	Slightly above prior-year level
<b>Financial condition: Group</b>			
Cash outflows for capital expenditures	approx. €600 million	On prior-year level	9M: €374 million

## Sales

Sales of the LANXESS Group in the third quarter of 2014 amounted to €2,040 million, which was on the level of the prior-year period. The expansion of volumes raised sales by 0.7%. The impact of lower selling prices, which caused sales to decrease slightly by 0.8% percent, was compounded by mildly unfavorable currency development and slightly negative portfolio effects. Adjusted for currency and portfolio effects, operational sales were level with the prior-year quarter.

Effects on Sales		
%	Q3 2014	9M 2014
Price	(0.8)	(4.2)
Volume	0.7	3.1
Currency	(0.2)	(1.7)
Portfolio	(0.2)	(0.1)
	<b>(0.5)</b>	<b>(2.9)</b>

Our Performance Polymers segment recorded a 4.3% decline in sales against the third quarter of the previous year. The development of selling prices was attributable especially to the persistently challenging competitive situation and to lower purchase prices for raw materials. Volumes were also down year on year. Negative currency effects and an unfavorable portfolio effect resulting from the divestiture of the interest in Perlon-Monofil GmbH, Dormagen, Germany, had a minor impact.

Our Advanced Intermediates segment raised sales by 5.2% in the third quarter. This increase resulted from the expansion of volumes, while selling prices fell slightly compared with the prior-year period. Shifts in exchange rates had no material impact on sales development.

### Sales by Segment

€ million	Q3 2013	Q3 2014	Change %	Proportion of Group sales %	9M 2013	9M 2014	Change %	Proportion of Group sales %
Performance Polymers	1,092	1,045	(4.3)	51.2	3,404	3,144	(7.6)	51.5
Advanced Intermediates	403	424	5.2	20.8	1,229	1,246	1.4	20.4
Performance Chemicals	546	561	2.7	27.5	1,627	1,680	3.3	27.6
Reconciliation	9	10	11.1	0.5	26	32	23.1	0.5
	<b>2,050</b>	<b>2,040</b>	<b>(0.5)</b>	<b>100.0</b>	<b>6,286</b>	<b>6,102</b>	<b>(2.9)</b>	<b>100.0</b>

Sales in our Performance Chemicals segment advanced by 2.7% against the prior-year period. This development was characterized by higher sales volumes and a slight year-on-year increase in selling prices. Minor portfolio effects from the acquisition of the phosphorus chemicals business of Thermphos France S.A.R.L., Epierre, France, more than offset negative currency effects.

LANXESS raised sales in Asia-Pacific and North America, but registered declines in the other regions. The largest decline was recorded in Latin America, while Germany and EMEA (excluding Germany) remained relatively robust, with declines of 0.8% and 3.7%, respectively. Business performance across the regions was largely related to the development of the Performance Polymers segment.

### Order book status

Most of our business is not subject to long-term agreements on fixed volumes or prices. Instead, our business is characterized by long-standing relationships with customers and revolving master agreements. Our activities are focused on demand-driven orders with relatively short lead times which do not provide a basis for forward-looking statements about our capacity utilization or volumes. The business is managed primarily on the basis of regular Group-wide forecasts with respect to the Group's operational target.

Any disclosure of the Group's order book status as of the end of a given reporting period therefore would not be indicative of the Group's short- or medium-term earning power. For this reason, no such disclosure is made in this report.



**EBITDA Pre Exceptionals by Segment**

€ million	Q3 2013	Q3 2014	Change %	9M 2013	9M 2014	Change %
Performance Polymers	84	93	10.7	290	332	14.5
Advanced Intermediates	71	74	4.2	216	219	1.4
Performance Chemicals	72	76	5.6	190	230	21.1
Reconciliation	(40)	(33)	17.5	(137)	(127)	7.3
	<b>187</b>	<b>210</b>	<b>12.3</b>	<b>559</b>	<b>654</b>	<b>17.0</b>

**Gross profit**

The cost of sales showed a disproportionately large decline of 1.4% compared with sales, to €1,639 million. The decline in raw material purchase prices and idle capacity costs provided relief, more than offsetting the effect of higher volumes. Shifts in currency parities had a slightly positive impact.

Gross profit was €401 million, up by €13 million or 3.4% against the prior-year quarter. The gross profit margin rose from 18.9% to 19.7%. The expansion of volumes and lower manufacturing costs contributed to this positive development. The decline in selling prices, which slightly outweighed the positive effect of lower raw material costs, had the opposite effect. At the Group level, shifts in exchange rates had a positive effect on the gross profit. Capacity utilization was higher than in the prior-year quarter.

**EBITDA and EBIT**

The operating result before depreciation and amortization (EBITDA) pre exceptionals rose in the third quarter of 2014 by €23 million or 12.3% against the prior-year period, to €210 million. This was mainly attributable to higher volumes and lower manufacturing costs. Overall, slightly favorable currency and portfolio effects also had a positive impact. Earnings were burdened by selling price adjustments, which slightly exceeded the relief from the decline in raw material costs because of the challenging competitive situation. Selling expenses, at €186 million, were on previous-year level. Research and development

expenses, at €39 million, were down against the prior-year level of €43 million. General administration expenses declined by €14 million to €62 million. The development of functional costs already reflected cost savings from the "Advance" and "Let's LANXESS again" programs. The Group's EBITDA margin pre exceptionals improved from 9.1% to 10.3%.

EBITDA pre exceptionals in our Performance Polymers segment increased by €9 million in the third quarter, to €93 million. This was mainly the result of considerably lower manufacturing costs, which resulted in part from lower idle capacity costs, and also of lower research and development expenses. Lower selling prices resulting from the persistently difficult competitive situation for synthetic rubbers and due to a decline in purchase prices for some raw materials had the opposite effect. The net influence of currency and portfolio effects was slightly negative.

EBITDA pre exceptionals in the Advanced Intermediates segment advanced by €3 million to €74 million. Continued good demand for agrochemicals led to positive volume effects. The decline in selling prices was in line with the development of input costs. Shifts in currency parities did not have a significant impact.

The Performance Chemicals segment generated EBITDA pre exceptionals of €76 million, up €4 million over the prior-year period. At the segment level, earnings were improved by an expansion of volumes, a positive price effect and favorable currency developments. Higher manufacturing costs had an opposing effect.

**Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)**

€ million	Q3 2013	Q3 2014	Change %	9M 2013	9M 2014	Change %
<b>EBITDA pre exceptionals</b>	<b>187</b>	<b>210</b>	<b>12.3</b>	<b>559</b>	<b>654</b>	<b>17.0</b>
Depreciation and amortization	(114)	(100)	12.3	(332)	(302)	9.0
Exceptional items in EBITDA	(21)	(27)	(28.6)	(58)	(72)	(24.1)
<b>Operating result (EBIT)</b>	<b>52</b>	<b>83</b>	<b>59.6</b>	<b>169</b>	<b>280</b>	<b>65.7</b>

The Group operating result (EBIT) amounted to €83 million in the third quarter of 2014, up from €52 million in the year-earlier quarter. Depreciation and amortization, at €100 million, was €14 million or 12.3% below the prior-year period, even after additions from capital expenditures. The reduction in the depreciation and amortization base at the end of 2013 due to impairment charges had an impact here.

The exceptional charges included in other operating expenses totaled €27 million, which fully impacted EBITDA. They related mainly to the "Let's LANXESS again" program and to expenses for the design and implementation of IT projects. EBITDA in the prior-year quarter had been fully impacted by exceptional charges of €21 million.

### Financial result

The financial result for the third quarter of 2014 was minus €28 million, compared with minus €32 million for the prior-year period. Interest expense declined by €12 million against the same period of last year. This was mainly due to the repayment of the €500 million Eurobond issued in 2009, which matured in the reporting period. As in the prior-year quarter, the net interest position was improved by the capitalization of pro-rata borrowing costs, which partly related to the new plants in Singapore and in China. The earnings contribution from investments accounted for using the equity method came to €1 million in the reporting period, against €0 million in the prior-year quarter.

### Income before income taxes

Third-quarter income before income taxes came in at €55 million, against €20 million for the prior-year period. The effective tax rate was 36.4%, compared with 45.0% for the prior-year quarter.

### Net income/Earnings per share/ Earnings per share pre exceptionals

Net income for the third quarter came to €35 million, compared with €11 million in the prior-year period. Non-controlling interests accounted for a loss of less than €1 million in the third quarter, as in the prior-year period.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares outstanding. The number of shares outstanding rose due to the shares issued for the capital increase. The higher number of shares was accounted for pro rata temporis. Earnings per share were €0.38 in the third quarter, ahead of the €0.13 recorded for the prior-year period.

Earnings per share pre exceptionals came in at €0.59 in the third quarter of 2014, compared with €0.34 for the prior-year period. This value was calculated by adjusting earnings per share for exceptional items and the attributable tax effects. Exceptional items in the third quarter came to €27 million, against €21 million in the prior-year quarter.

### Business development by region

Sales in the EMEA (excluding Germany) region decreased by 3.7% in the third quarter of 2014, to €569 million. Adjusted for currency changes and for portfolio effects from the acquisition of the phosphorus chemicals business of Thermphos France S.A.R.L., Epierre, France, and the divestiture of the company's interest in Perlon-Monofil GmbH, sales receded by 3.4%. While the Performance Polymers segment saw sales decline by a high-single-digit percentage, business in the Advanced Intermediates and Performance Chemicals segments showed low rates of growth. The negative sales development mainly applied to Italy, Belgium, Ireland, Switzerland and Portugal. By contrast, demand developed positively especially in the Netherlands, Iceland, Turkey and Austria.

With a 27.9% share of total sales for the third quarter against 28.8% in the prior-year period, EMEA (excluding Germany) remained the largest of the LANXESS Group's regions in terms of sales.

## Sales by Market

	Q3 2013		Q3 2014		Change	9M 2013		9M 2014		Change
	€ million	%	€ million	%		€ million	%	€ million	%	
EMEA (excluding Germany)	591	28.8	569	27.9	(3.7)	1,838	29.3	1,789	29.3	(2.7)
Germany	364	17.8	361	17.7	(0.8)	1,096	17.4	1,105	18.1	0.8
North America	342	16.7	347	17.0	1.5	1,026	16.3	1,017	16.7	(0.9)
Latin America	238	11.6	209	10.2	(12.2)	759	12.1	647	10.6	(14.8)
Asia-Pacific	515	25.1	554	27.2	7.6	1,567	24.9	1,544	25.3	(1.5)
	<b>2,050</b>	<b>100.0</b>	<b>2,040</b>	<b>100.0</b>	<b>(0.5)</b>	<b>6,286</b>	<b>100.0</b>	<b>6,102</b>	<b>100.0</b>	<b>(2.9)</b>

Our sales in Germany were nearly level year on year in the third quarter, at €361 million. There were no material portfolio effects. Sales in our Advanced Intermediates segment improved by a mid-single-digit percentage, while business receded year on year in the Performance Polymers and Performance Chemicals segments.

Germany's share of Group sales came to 17.7% for the third quarter, compared with 17.8% for the prior-year period.

Sales in North America moved ahead by 1.5% in the third quarter of 2014, to €347 million. Adjusted for currency and portfolio effects, sales were up by 2.2%. Business development was marked by mid-single-digit percentage increases in sales of our Performance Chemicals and Advanced Intermediates segments. These more than offset a low-single-digit percentage decline in the Performance Polymers segment. The United States was the major factor in the region's development.

LANXESS generated 17.0% of third-quarter sales in this region, compared with 16.7% in the prior-year period.

Sales in the Latin America region receded in the third quarter of 2014 by a substantial 12.2%, to €209 million. Adjusted for minor currency and portfolio effects, the decrease was 12.0%. This trend was driven by the clear, double-digit percentage decline in sales of the Performance Polymers segment, while business in the Advanced Intermediates segment expanded by a double-digit percentage. The Performance Chemicals segment saw a small decline in sales, which were close to the level of the prior-year quarter. Business development in Latin America was mainly attributable to the sales performance in Brazil and Chile.

The region accounted for 10.2% of Group sales in the third quarter, against 11.6% for the same period a year ago.

Third-quarter sales in the Asia-Pacific region increased by 7.6% to €554 million. Adjusted for negative currency changes and minor portfolio effects, sales grew by 8.4%. The Advanced Intermediates segment posted a very positive business performance, with sales advancing by a double-digit percentage. The Performance Polymers and Performance Chemicals segments also generated higher sales compared with the prior-year period, expanding business by a mid- and a high-single-digit percentage, respectively. This operational development was mainly driven by India, Singapore, South Korea, China and Japan. By contrast, we saw lower sales particularly in Hong Kong, Taiwan and Thailand.

LANXESS generated 27.2% of the Group's third-quarter sales in this region, compared with 25.1% in the prior-year quarter.

## Segment information

## Performance Polymers

	Q3 2013		Q3 2014		Change	9M 2013		9M 2014		Change
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	1,092		1,045		(4.3)	3,404		3,144		(7.6)
EBITDA pre exceptionals	84	7.7	93	8.9	10.7	290	8.5	332	10.6	14.5
EBITDA	76	7.0	88	8.4	15.8	282	8.3	315	10.0	11.7
Operating result (EBIT) pre exceptionals	21	1.9	41	3.9	95.2	102	3.0	174	5.5	70.6
Operating result (EBIT)	13	1.2	36	3.4	> 100	94	2.8	156	5.0	66.0
Cash outflows for capital expenditures	86		83		(3.5)	229		271		18.3
Depreciation and amortization	63		52		(17.5)	188		159		(15.4)
Employees as of Sep. 30 (previous year: as of Dec. 31)	5,379		5,215		(3.0)	5,379		5,215		(3.0)

In the third quarter too, business development in our Performance Polymers segment remained below the level of the prior-year period. Sales decreased by 4.3% year on year, to €1,045 million. Development was mainly impacted by a negative price effect of 1.6% and by 2.0% lower volumes. A slightly unfavorable currency effect and a slightly negative portfolio effect from the divestiture of the company's interest in Perlon-Monofil GmbH, Dormagen, Germany, accounted for 0.7% of this decrease.

Nearly all business units in this segment were impacted by declining market prices and lower volumes. The Performance Butadiene Rubbers business unit registered an increase in selling prices. The Performance Butadiene Rubbers, Butyl Rubber and High Performance Materials business units saw volumes decline. In addition, the High Performance Materials business unit registered a slightly negative portfolio effect. Nearly all business units were held back to a small extent by exchange rate developments. Segment sales developed positively in the Asia-Pacific region, but declined in the other regions.

EBITDA pre exceptionals in the Performance Polymers segment advanced by €9 million in the third quarter, to €93 million. All business units except the Butyl Rubber business unit contributed to this development. A positive impact on earnings resulted especially from considerably lower manufacturing costs, which were attributable in part to lower idle capacity costs, and also from lower research and development expenses. Lower selling prices resulting from the persistently difficult competitive situation for synthetic rubbers and due to a decline in purchase prices for some raw materials had the opposite effect. In addition, the development of volumes diminished earnings at the segment level. Currency and portfolio effects had a slightly negative impact. The segment's EBITDA margin climbed to 8.9% compared with 7.7% in the prior-year quarter.

The exceptional charges of €5 million, which fully impacted EBITDA, mainly related to the "Let's LANXESS again" program. In the prior-year quarter, exceptional charges mainly resulted from measures within the "Advance" program.

**Advanced Intermediates**

	Q3 2013		Q3 2014		Change	9M 2013		9M 2014		Change
	€ million	Margin %	€ million	Margin %		€ million	Margin %	€ million	Margin %	
Sales	403		424		5.2	1,229		1,246		1.4
EBITDA pre exceptionals	71	17.6	74	17.5	4.2	216	17.6	219	17.6	1.4
EBITDA	71	17.6	74	17.5	4.2	220	17.9	217	17.4	(1.4)
Operating result (EBIT) pre exceptionals	51	12.7	52	12.3	2.0	160	13.0	153	12.3	(4.4)
Operating result (EBIT)	51	12.7	52	12.3	2.0	164	13.3	151	12.1	(7.9)
Cash outflows for capital expenditures	28		15		(46.4)	70		54		(22.9)
Depreciation and amortization	20		22		10.0	56		66		17.9
Employees as of Sep. 30 (previous year: as of Dec. 31)	2,854		2,804		(1.8)	2,854		2,804		(1.8)

Sales in the *Advanced Intermediates* segment rose by 5.2% in the third quarter of 2014, to €424 million. While selling price adjustments resulted in a negative price effect of 0.9%, volumes were up by 6.1% against the prior-year quarter. Exchange rate movements had no tangible effect.

Selling prices in the segment's two business units were below the level of the prior-year quarter, while volumes moved substantially higher. The *Saltigo* business unit, in particular, benefited from the positive development of demand for agrochemicals. The segment posted higher sales in all regions, with growth driven especially by the *Asia-Pacific* and *Germany* regions.

EBITDA pre exceptionals for the *Advanced Intermediates* segment advanced by €3 million or 4.2% against the prior-year quarter, to €74 million. Earnings were improved by higher volumes and a slight decline in raw material costs but held back particularly by the adjustment of selling prices. The EBITDA margin remained high at 17.5%, against 17.6% in the prior-year quarter.

## Performance Chemicals

	Q3 2013		Q3 2014		Change	9M 2013		9M 2014		Change
	€ million	Margin %	€ million	Margin %		%	€ million	Margin %	€ million	
Sales	546		561		2.7	1,627		1,680		3.3
EBITDA pre exceptionals	72	13.2	76	13.5	5.6	190	11.7	230	13.7	21.1
EBITDA	72	13.2	72	12.8	0.0	156	9.6	213	12.7	36.5
Operating result (EBIT) pre exceptionals	51	9.3	55	9.8	7.8	126	7.7	166	9.9	31.7
Operating result (EBIT)	51	9.3	51	9.1	0.0	86	5.3	149	8.9	73.3
Cash outflows for capital expenditures	24		8		(66.7)	77		36		(53.2)
Depreciation and amortization	21		21		0.0	70		64		(8.6)
Employees as of Sep. 30 (previous year: as of Dec. 31)	5,837		5,658		(3.1)	5,837		5,658		(3.1)

Sales in the Performance Chemicals segment rose by 2.7% in the third quarter, to €561 million. While sales were increased particularly by the 2.0% expansion of volumes, selling prices were just 0.6% above the prior-year level. The net impact of exchange rate and portfolio effects was not significant.

Overall, the segment's volumes and selling prices were above the level of the prior-year quarter, although the individual business units trended differently. The Leather and Inorganic Pigments business units benefited particularly from a growth in volumes. The Rubber Chemicals and Functional Chemicals business units, in particular, raised selling prices. While the Rhein Chemie business unit in particular was held back by the slightly negative development of exchange rates, the Functional Chemicals business unit benefited from a positive portfolio effect from the acquisition of the phosphorus chemicals business of Thermphos France S.A.R.L., Epierre, France, in the previous year. Business expanded in the Asia-Pacific, North America and EMEA (excluding Germany) regions, while sales declined in Germany and Latin America.

EBITDA pre exceptionals came in at €76 million, €4 million or 5.6% above the prior-year figure of €72 million. This increase resulted particularly from the positive volume development. Earnings were improved by a positive price effect, slight cost relief from lower raw material purchase prices and favorable exchange rate developments.

A positive currency effect on the cost base outweighed the slightly negative effect on sales due to geographical variations in the currency effects. Earnings were held back by higher manufacturing costs. In particular, the Inorganic Pigments and Rhein Chemie business units registered an improvement in earnings. The EBITDA margin pre exceptionals of 13.5% was above the figure of 13.2% posted for the prior-year quarter.

The segment had exceptional items of €4 million in the third quarter, with the entire amount impacting EBITDA. They mainly resulted from measures within the "Let's LANXESS again" program.

## Reconciliation

	Q3 2013	Q3 2014	Change	9M 2013	9M 2014	Change
	€ million	€ million	%	€ million	€ million	%
Sales	9	10	11.1	26	32	23.1
EBITDA pre exceptionals	(40)	(33)	17.5	(137)	(127)	7.3
EBITDA	(53)	(51)	3.8	(157)	(163)	(3.8)
Operating result (EBIT) pre exceptionals	(50)	(38)	24.0	(155)	(140)	9.7
Operating result (EBIT)	(63)	(56)	11.1	(175)	(176)	(0.6)
Cash outflows for capital expenditures	8	6	(25.0)	22	13	(40.9)
Depreciation and amortization	10	5	(50.0)	18	13	(27.8)
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,273	3,040	(7.1)	3,273	3,040	(7.1)

Third-quarter EBITDA pre exceptionals for the reconciliation came to minus €33 million, compared with minus €40 million in the prior-year quarter. The development of functional costs already reflected cost savings from the “Advance” and “Let’s LANXESS again” programs. The €18 million in exceptional charges reported in the reconciliation for the third quarter impacted EBITDA in full and related primarily to the “Let’s LANXESS again” program and to expenses for the design and implementation of IT projects.

## Statement of financial position and financial condition

### Structure of the statement of financial position

As of September 30, 2014, the LANXESS Group had total assets of €7,360 million, up €549 million, or 8.1%, from €6,811 million on December 31, 2013. This was mainly attributable to the increase in working capital and to capital expenditures for property, plant and equipment. The equity ratio increased to 32.1%, particularly as a result of the capital increase in the second quarter.

Non-current assets rose by €313 million to €3,905 million, with intangible assets and property, plant and equipment increasing by €234 million to €3,460 million. Cash outflows for purchases of property, plant and equipment and intangible assets in the reporting period were €374 million, below the prior-year level of €398 million. Depreciation and amortization in the first nine months of 2014 totaled €302 million and was thus below the prior-year level despite capital expenditures, mainly because of the lower depreciation and amortization base following impairments of intangible assets and property, plant and equipment at year end 2013. The ratio of non-current assets to total assets was 53.1%, up from 52.7% on December 31, 2013.

Current assets increased by €236 million, or 7.3%, compared with December 31, 2013 to €3,455 million. The inventory growth of €228 million, or 17.6%, to €1,527 million was largely volume-related, slightly intensified by currency effects. Trade receivables were €85 million, or 7.9%, higher at €1,155 million. Cash and cash equivalents decreased by €152 million to €275 million. By contrast, near-cash assets increased by €135 million to €241 million following the acquisition of shares in money market funds. The ratio of current assets to total assets was 46.9%, against 47.3% as of December 31, 2013.

The LANXESS Group has significant internally generated intangible assets that are not reflected in the statement of financial position in light of accounting rules. These include the brand equity of LANXESS and the value of the other brands of the Group. A variety of measures was deployed in the reporting period to continually enhance these assets.

Our established relationships with customers and suppliers also constitute a significant intangible asset. These long-standing, trust-based partnerships with customers and suppliers, underpinned by consistent service quality, enable us to compete successfully even in a more challenging business environment. Our competence in technology and innovation, also a valuable asset, is rooted in our specific knowledge in the areas of research and development and custom manufacturing. It enables us to generate significant added value for our customers.

The know-how and experience of our employees are crucial factors for our corporate success. In addition, we have sophisticated production and business processes that create competitive advantages for us in the relevant markets.

Equity amounted to €2,364 million, up by €464 million or 24.4% compared with December 31, 2013. This increase resulted particularly from the 10% capital increase in the second quarter and from the total comprehensive income in the reporting period. The dividend payment in particular reduced equity. The ratio of equity to the Group's total assets was 32.1% as of September 30, 2014, against 27.9% as of December 31, 2013.

Non-current liabilities increased by €345 million to €3,374 million as of September 30, 2014. Provisions for pensions and other post-employment benefits rose by €199 million compared with the end of 2013, to €1,142 million. The increase resulted particularly from the change in the interest rates used for measurement. Other non-current financial liabilities amounted to €1,780 million, up by €131 million against December 31, 2013. This increase resulted primarily from the partial refinancing of the €500 million Eurobond issued in 2009 that matured in the reporting period. The ratio of non-current liabilities to total assets was 45.9%, up from 44.5% as of December 31, 2013.

Current liabilities came to €1,622 million, down by €260 million or 13.8% from December 31, 2013. This decline resulted mainly from the repayment of the aforementioned Eurobond issued in 2009. Trade payables, at €688 million, were level with the end of 2013. Other current provisions increased by €75 million to €430 million. The ratio of current liabilities to total assets was 22.0% as of September 30, 2014, against 27.6% at the end of 2013.

## Financial condition and capital expenditures

**Changes in the statement of cash flows** In the first nine months of 2014 there was a net cash inflow of €388 million from operating activities, against a net inflow of €311 million in the prior-year period. With income before income taxes amounting to €187 million, the increase in net working capital compared to December 31, 2013 resulted in a cash outflow of €261 million. In the prior-year period, income before income taxes was €62 million and the cash outflow from the increase in net working capital was €56 million. The increase in net working capital in the reporting period was mainly due to higher inventories and trade receivables. As in the prior-year period, the changes in other assets and liabilities mainly resulted from the development of personnel provisions.

There was a €496 million net cash outflow from investing activities in the first nine months of 2014, against €164 million in the same period a year ago. The net cash outflow in the reporting period was mainly attributable to purchases of intangible assets and property, plant and equipment totaling €374 million, and of financial assets totaling €134 million. The net cash outflow in the prior-year period was largely the aggregate of outflows for purchases of intangible assets and property, plant and equipment totaling €398 million and inflows of €246 million from the sale of financial assets. Depreciation and amortization amounted to €302 million in the reporting period, against €332 million a year before.

Net cash used in financing activities came to €47 million, compared with €161 million in the first nine months of 2013. The cash inflow of €433 million from the capital increase and €317 million in proceeds from new borrowings in the reporting period was partly offset, particularly by outflows of €646 million for the repayment of financial liabilities and by the dividend payment to LANXESS AG stockholders for fiscal 2013. Cash outflows in the prior-year period related mainly to interest payments and the dividend payment for fiscal 2012.

**Financing and liquidity** The principles and objectives of financial management discussed on page 84 of the Annual Report 2013 remained valid during the year. They are centered on a conservative financial policy built on long-term, secured financing.

Cash and cash equivalents decreased by €152 million compared with the end of 2013, to €275 million. This decrease resulted from factors including the repayment partly in cash of the €500 million Eurobond issued in 2009 that matured in the reporting period. The €241 million of instant-access investments in money market funds, up from €106 million at the end of 2013, were reported under near-cash financial assets. The Group's liquidity position thus remains sound.

The capital increase resolved by the Board of Management on May 7, 2014 with the authorization of the Supervisory Board was completed on May 8, 2014 in an accelerated bookbuilding process. The additional 8,320,266 shares were placed with international institutional investors at a price of €52.00 per share, resulting in gross proceeds of €433 million. This capital measure strengthened the LANXESS Group's equity and reduced net financial liabilities.



Net financial liabilities totaled €1,445 million as of September 30, 2014, compared with €1,731 million as of December 31, 2013.

<b>Net Financial Liabilities</b>		
€ million	<b>Dec. 31, 2013</b>	<b>Sep. 30, 2014</b>
Non-current financial liabilities	1,649	1,780
Current financial liabilities	668	206
less		
Liabilities for accrued interest	(53)	(25)
Cash and cash equivalents	(427)	(275)
Near-cash assets	(106)	(241)
	<b>1,731</b>	<b>1,445</b>

**Financing instruments off the statement of financial position** As of September 30, 2014, LANXESS had no material financing items that were not reported in the statement of financial position, such as factoring, asset-backed structures or sale-and-lease-back transactions.

**Significant capital expenditure projects** Capital expenditures in the Performance Polymers segment included, among other projects, the construction of a new production facility for neodymium-based performance butadiene rubber (Nd-PBR) for our Performance Butadiene Rubbers business unit in Singapore. This facility is designed for an annual capacity of 140,000 tons and is due on stream in the first half of 2015. In Changzhou, China, our Keltan Elastomers business unit is constructing a production plant for synthetic ethylene-propylene-diene rubber (EPDM) with an annual capacity of up to 160,000 tons. Start-up of this plant, which will utilize the innovative Keltan® ACE™ technology, is planned for 2015. In the third quarter of 2014, the High Performance Materials business unit inaugurated its facility for polyamide plastics at the site in Antwerp, Belgium, with an annual capacity of around 90,000 tons. In addition, the business unit is expanding its high-tech plastics plant in Gastonia, United States, to include a second production line. This new compounding facility will double the capacity from currently 20,000 to 40,000 tons per year. Production is scheduled to launch at the beginning of 2016.

The Performance Chemicals segment's Inorganic Pigments business unit is currently building a new facility for iron oxide red pigments in Ningbo, China, designed for an initial annual capacity of 25,000 tons. This plant will be expanded to include a mixing and milling facility for inorganic pigments with a capacity of 70,000 tons per year that can also process raw pigments from other LANXESS sites for the Asian market. The entire plant complex is scheduled for completion in the fourth quarter of 2015 and the start-up of production for the first quarter of 2016.

## Opportunities, risks and future perspectives

### Significant opportunities and risks

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2013. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on pages 101 to 113 of the Annual Report 2013. Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.

### Future perspectives

LANXESS assumes that the modest recovery of the global economy will continue for the remainder of the year. However, uncertainty about the strength of this recovery has risen due to the intensifying geopolitical crises, particularly in Ukraine and the Middle East. An additional factor is reduced economic expectations for Europe and some other regions.

Our performance forecasts for the various regions are as follows: We continue to predict a growth rate of 7.5% for China, which would be in line with our expectations. We expect a slight improvement for the United States and are raising our growth forecast from 1.5% to 2.0%, which nonetheless would remain below the original expectations. By contrast, we now predict growth of 1.0% in Europe, which would be slightly below the figure of 1.5% forecasted in recent months. For Latin America, and particularly Brazil, we believe the weak economic development will continue in 2014.

Further factors in addition to the aforementioned risks that could hold back growth are the persistently difficult financial situation that continues to confront European governments and banks, and the distressed loans on the balance sheets of Chinese banks.

We believe that the chemical industry will continue to see robust development that, however, will be somewhat weaker than originally assumed. The strongest momentum is expected in the emerging markets, and we believe that China will remain the focus of growth. We are reducing the growth expectation for the United States in 2014 to 1.5%, which is much lower than originally predicted. EMEA should continue to develop in line with existing expectations, at 1.5%.

With regard to our customer industries, we predict that growth of automotive production will slow somewhat, due particularly to the development in Russia, Brazil and India. Our growth expectation for automotive production is therefore now 3.0%, against 3.5% previously.

For the tire industry we also foresee a slight slowdown in growth due to the forecasted weaker development of automotive production and the assumption that the replacement tire business will post slightly lower growth. We are therefore reducing our expectation for 2014 from previously 3.5% to 3.0%. In view of the discussion in the United States surrounding punitive tariffs for Chinese tires, we anticipate reduced production and are lowering our growth expectation for the Chinese economic region from 9.0% to now 7.0%. The growth expectation for EMEA remains in place at 1.5%, which is still well above the original forecast. We continue to predict that growth in the United States will be in line with our expectations.

The market for agrochemicals is likely to continue developing robustly during the remainder of the year.

We anticipate a slower pace of growth in the construction industry over the remainder of the year. Despite somewhat weaker growth, the Chinese construction industry will likely develop in line with expectations. We believe the aforementioned crises will result in slightly reduced growth in EMEA. For the U.S. construction industry, we predict a continued good development of residential construction but weaker development of infrastructure investment in non-residential construction than originally presumed. We therefore now expect slightly lower growth overall for the United States.

We anticipate the following developments for our businesses over the further course of the year:

In our synthetic rubber businesses, which are closely linked with the automotive and tire industries, we foresee a persistently challenging competitive environment and continuing pressure on prices. As a result, we predict restrained development in the remaining months of the current year in our Performance Polymers segment, particularly for its synthetic rubber business units.

In the agrochemicals business, we expect demand to continue developing robustly for the remainder of the year, which will likely lead to a gratifying performance in the business units of the Advanced Intermediates segment.

Although growth in the construction industry is expected to slow, it should continue to support our inorganic pigments business in the Performance Chemicals segment, leading to good development there.

Our key investments focus on the implementation of our further growth projects in China and Singapore, which are already well advanced. We expect cash outflows for capital expenditures to be at about the prior-year level in 2014 due to these projects. After completing these production facilities, we plan to reduce our capital expenditure volume and focus on maintenance and efficiency improvement measures.

LANXESS will continue to resolutely implement the three-phase realignment program it initiated in July. As part of the first phase, which is aimed at increasing the competitiveness of the business and administrative structure, LANXESS will combine various business units and reduce their number from 14 to 10 effective January 1, 2015. In addition, the administration will be streamlined globally through the reduction of the workforce on a cross-functional basis and the consolidation of specific areas of activity.

LANXESS also has already initiated measures from the second phase that will be further implemented over the course of 2015. Through "excellence initiatives", the company intends to optimize its operational competitiveness in production and distribution. All production facilities will be examined with respect to market requirements and synergies. On the distribution side, it is intended to increase the effectiveness and efficiency of the organization by analyzing its regional structures.

In 2015 and 2016, LANXESS will concentrate on implementing the third phase of the realignment, "competitiveness of the business portfolio."

We confirm our guidance for the full year 2014 and expect EBITDA pre exceptionals in the range of €780 million to €820 million. Initial savings of €20 million generated from the realignment program will mitigate some of the additional burdens expected in the fourth quarter.

Further information on this topic is given in the combined management report for LANXESS AG and the LANXESS Group on pages 113 to 115 of the Annual Report 2013.

### Events after the end of the reporting period

No events of special significance took place after September 30, 2014 that are expected to materially affect the financial position or results of operations of the LANXESS Group.

# Condensed Consolidated Interim Financial Statements

as of September 30, 2014

## LANXESS Group Statement of Financial Position

€ million	Dec. 31, 2013	Sep. 30, 2014
<b>ASSETS</b>		
Intangible assets	323	321
Property, plant and equipment	2,903	3,139
Investments accounted for using the equity method	12	18
Investments in other affiliated companies	13	13
Non-current derivative assets	20	5
Other non-current financial assets	11	12
Non-current income tax receivables	1	1
Deferred taxes	254	330
Other non-current assets	55	66
<b>Non-current assets</b>	<b>3,592</b>	<b>3,905</b>
Inventories	1,299	1,527
Trade receivables	1,070	1,155
Cash and cash equivalents	427	275
Near-cash assets	106	241
Current derivative assets	58	12
Other current financial assets	6	4
Current income tax receivables	55	19
Other current assets	198	222
<b>Current assets</b>	<b>3,219</b>	<b>3,455</b>
<b>Total assets</b>	<b>6,811</b>	<b>7,360</b>
<b>EQUITY AND LIABILITIES</b>		
Capital stock and capital reserves	889	1,317
Other reserves	1,690	1,374
Net income (loss)	(159)	115
Other equity components	(525)	(445)
Equity attributable to non-controlling interests	5	3
<b>Equity</b>	<b>1,900</b>	<b>2,364</b>
Provisions for pensions and other post-employment benefits	943	1,142
Other non-current provisions	258	277
Non-current derivative liabilities	12	16
Other non-current financial liabilities	1,649	1,780
Non-current income tax liabilities	49	33
Other non-current liabilities	89	99
Deferred taxes	29	27
<b>Non-current liabilities</b>	<b>3,029</b>	<b>3,374</b>
Other current provisions	355	430
Trade payables	690	688
Current derivative liabilities	22	86
Other current financial liabilities	668	206
Current income tax liabilities	21	68
Other current liabilities	126	144
<b>Current liabilities</b>	<b>1,882</b>	<b>1,622</b>
<b>Total equity and liabilities</b>	<b>6,811</b>	<b>7,360</b>

## LANXESS Group Income Statement

€ million	Q3 2013	Q3 2014	9M 2013	9M 2014
<b>Sales</b>	<b>2,050</b>	<b>2,040</b>	<b>6,286</b>	<b>6,102</b>
Cost of sales	(1,662)	(1,639)	(5,098)	(4,844)
<b>Gross profit</b>	<b>388</b>	<b>401</b>	<b>1,188</b>	<b>1,258</b>
Selling expenses	(186)	(186)	(575)	(560)
Research and development expenses	(43)	(39)	(134)	(124)
General administration expenses	(76)	(62)	(230)	(207)
Other operating income	18	30	84	95
Other operating expenses	(49)	(61)	(164)	(182)
<b>Operating result (EBIT)</b>	<b>52</b>	<b>83</b>	<b>169</b>	<b>280</b>
Income from investments accounted for using the equity method	0	1	0	6
Interest income	0	0	1	2
Interest expense	(28)	(16)	(82)	(57)
Other financial income and expense	(4)	(13)	(26)	(44)
<b>Financial result</b>	<b>(32)</b>	<b>(28)</b>	<b>(107)</b>	<b>(93)</b>
<b>Income before income taxes</b>	<b>20</b>	<b>55</b>	<b>62</b>	<b>187</b>
Income taxes	(9)	(20)	(19)	(74)
<b>Income after income taxes</b>	<b>11</b>	<b>35</b>	<b>43</b>	<b>113</b>
of which attributable to non-controlling interests	0	0	(2)	(2)
of which attributable to LANXESS AG stockholders (net income)	11	35	45	115
<b>Earnings per share (undiluted/diluted) (€)</b>	<b>0.13</b>	<b>0.38</b>	<b>0.54</b>	<b>1.31</b>

LANXESS Group **Statement of Comprehensive Income**

€ million	Q3 2013	Q3 2014	9M 2013	9M 2014
<b>Income after income taxes</b>	<b>11</b>	<b>35</b>	<b>43</b>	<b>113</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurements of the net defined benefit liability for post-employment benefit plans	8	(47)	0	(161)
Income taxes	(2)	15	0	50
	<b>6</b>	<b>(32)</b>	<b>0</b>	<b>(111)</b>
<b>Items that may be reclassified subsequently to profit or loss if specific conditions are met</b>				
Exchange differences on translation of operations outside the eurozone	(71)	83	(131)	119
Financial instruments	22	(65)	(10)	(53)
Income taxes	(6)	19	2	14
	<b>(55)</b>	<b>37</b>	<b>(139)</b>	<b>80</b>
<b>Other comprehensive income, net of income tax</b>	<b>(49)</b>	<b>5</b>	<b>(139)</b>	<b>(31)</b>
<b>Total comprehensive income</b>	<b>(38)</b>	<b>40</b>	<b>(96)</b>	<b>82</b>
of which attributable to non-controlling interests	1	0	(1)	(2)
of which attributable to LANXESS AG stockholders	(39)	40	(95)	84

LANXESS Group **Statement of Changes in Equity**

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
<b>Dec. 31, 2012</b>	<b>83</b>	<b>806</b>	<b>1,238</b>	<b>508</b>	<b>(329)</b>	<b>8</b>	<b>2,314</b>	<b>16</b>	<b>2,330</b>
Allocations to retained earnings			508	(508)			0		0
Dividend payments			(83)				(83)		(83)
Total comprehensive income			0	45	(132)	(8)	(95)	(1)	(96)
Income after income taxes				45			45	(2)	43
Other comprehensive income, net of income tax			0		(132)	(8)	(140)	1	(139)
Other changes <sup>1)</sup>			(1)				(1)	(3)	(4)
<b>Sep. 30, 2013</b>	<b>83</b>	<b>806</b>	<b>1,662</b>	<b>45</b>	<b>(461)</b>	<b>0</b>	<b>2,135</b>	<b>12</b>	<b>2,147</b>
<b>Dec. 31, 2013</b>	<b>83</b>	<b>806</b>	<b>1,690</b>	<b>(159)</b>	<b>(529)</b>	<b>4</b>	<b>1,895</b>	<b>5</b>	<b>1,900</b>
Allocations to retained earnings			(159)	159			0		0
Capital increase	8	420					428		428
Dividend payments			(46)				(46)	0	(46)
Total comprehensive income			(111)	115	119	(39)	84	(2)	82
Income after income taxes				115			115	(2)	113
Other comprehensive income, net of income tax			(111)		119	(39)	(31)	0	(31)
<b>Sep. 30, 2014</b>	<b>91</b>	<b>1,226</b>	<b>1,374</b>	<b>115</b>	<b>(410)</b>	<b>(35)</b>	<b>2,361</b>	<b>3</b>	<b>2,364</b>

1) effects of the transition to full consolidation and the change to proportionate consolidation

## LANXESS Group Statement of Cash Flows

€ million	Q3 2013	Q3 2014	9M 2013	9M 2014
<b>Income before income taxes</b>	<b>20</b>	<b>55</b>	<b>62</b>	<b>187</b>
Depreciation and amortization	114	100	332	302
Gains on disposals of intangible assets and property, plant and equipment	0	0	(1)	0
Income from investments accounted for using the equity method	0	(1)	0	(6)
Financial losses	29	15	82	53
Income taxes paid/refunded	3	(36)	(38)	(17)
Changes in inventories	112	(17)	116	(192)
Changes in trade receivables	56	26	(43)	(51)
Changes in trade payables	6	(20)	(129)	(18)
Changes in other assets and liabilities	38	79	(70)	130
<b>Net cash provided by operating activities</b>	<b>378</b>	<b>201</b>	<b>311</b>	<b>388</b>
Cash outflows for purchases of intangible assets, property, plant and equipment	(146)	(112)	(398)	(374)
Cash inflows from/outflows for financial assets	(69)	29	246	(134)
Cash outflows for the acquisition of subsidiaries and other businesses, less acquired cash and cash equivalents	0	0	(15)	0
Cash inflows from sales of intangible assets, property, plant and equipment	0	1	2	3
Cash inflows from divestments of subsidiaries and other businesses, less divested cash and cash equivalents	0	0	0	3
Interest and dividends received	0	1	1	6
<b>Net cash used in investing activities</b>	<b>(215)</b>	<b>(81)</b>	<b>(164)</b>	<b>(496)</b>
Cash inflow from capital increase	0	0	0	433
Proceeds from borrowings	0	0	101	317
Repayments of borrowings	(45)	(127)	(82)	(646)
Interest paid and other financial disbursements	(17)	(20)	(97)	(105)
Dividend payments	0	0	(83)	(46)
<b>Net cash used in financing activities</b>	<b>(62)</b>	<b>(147)</b>	<b>(161)</b>	<b>(47)</b>
<b>Change in cash and cash equivalents from business activities</b>	<b>101</b>	<b>(27)</b>	<b>(14)</b>	<b>(155)</b>
Cash and cash equivalents at beginning of period	274	301	386	427
Other changes in cash and cash equivalents	(7)	1	(4)	3
<b>Cash and cash equivalents at end of period</b>	<b>368</b>	<b>275</b>	<b>368</b>	<b>275</b>

## Segment and Region Data

### Key Data by Segment Third quarter

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014
External sales	1,092	1,045	403	424	546	561	9	10	2,050	2,040
Inter-segment sales	1	0	13	10	2	2	(16)	(12)	0	0
Segment/Group sales	1,093	1,045	416	434	548	563	(7)	(2)	2,050	2,040
Segment result/EBITDA pre exceptionals	84	93	71	74	72	76	(40)	(33)	187	210
EBITDA margin pre exceptionals (%)	7.7	8.9	17.6	17.5	13.2	13.5			9.1	10.3
EBITDA	76	88	71	74	72	72	(53)	(51)	166	183
EBIT pre exceptionals	21	41	51	52	51	55	(50)	(38)	73	110
EBIT	13	36	51	52	51	51	(63)	(56)	52	83
Segment capital expenditures	88	86	30	18	25	21	9	6	152	131
Depreciation and amortization	63	52	20	22	21	21	10	5	114	100

### Key Data by Segment First nine months

€ million	Performance Polymers		Advanced Intermediates		Performance Chemicals		Reconciliation		LANXESS	
	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014
External sales	3,404	3,144	1,229	1,246	1,627	1,680	26	32	6,286	6,102
Inter-segment sales	1	0	39	37	6	7	(46)	(44)	0	0
Segment/Group sales	3,405	3,144	1,268	1,283	1,633	1,687	(20)	(12)	6,286	6,102
Segment result/EBITDA pre exceptionals	290	332	216	219	190	230	(137)	(127)	559	654
EBITDA margin pre exceptionals (%)	8.5	10.6	17.6	17.6	11.7	13.7			8.9	10.7
EBITDA	282	315	220	217	156	213	(157)	(163)	501	582
EBIT pre exceptionals	102	174	160	153	126	166	(155)	(140)	233	353
EBIT	94	156	164	151	86	149	(175)	(176)	169	280
Segment capital expenditures	241	282	78	60	83	51	31	13	433	406
Depreciation and amortization	188	159	56	66	70	64	18	13	332	302
Employees as of Sep. 30 (previous year: as of Dec. 31)	5,379	5,215	2,854	2,804	5,837	5,658	3,273	3,040	17,343	16,717

### Key Data by Region Third quarter

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014	Q3 2013	Q3 2014
Sales by market	591	569	364	361	342	347	238	209	515	554	2,050	2,040
Proportion of Group sales (%)	28.8	27.9	17.8	17.7	16.7	17.0	11.6	10.2	25.1	27.2	100.0	100.0

### Key Data by Region First nine months

€ million	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		LANXESS	
	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014
Sales by market	1,838	1,789	1,096	1,105	1,026	1,017	759	647	1,567	1,544	6,286	6,102
Proportion of Group sales (%)	29.2	29.3	17.4	18.1	16.3	16.7	12.1	10.6	24.9	25.3	100.0	100.0
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,444	3,320	8,117	7,780	1,526	1,412	1,560	1,478	2,696	2,727	17,343	16,717



# Notes to the Condensed Consolidated Interim Financial Statements

as of September 30, 2014

## Recognition and valuation principles

The unaudited, condensed consolidated interim financial statements as of September 30, 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2014 were observed in preparing the interim financial statements.

The application of new or revised standards on accounting for participating interests in other entities, in particular, became mandatory as of January 1, 2014. These comprise the new standards IFRS 10, IFRS 11 and IFRS 12 together with the revised standards IAS 27 and IAS 28. IFRS 10 contains requirements for consolidated financial statements superseding those previously contained in IAS 27 and largely redefines the control concept, which forms the basis for determining which companies are to be fully consolidated. This did not result in any changes for LANXESS, however. IFRS 11 prescribes the accounting for joint arrangements and requires a reappraisal of whether a jointly controlled entity constitutes a joint operation or a joint venture. The interest in a joint operation is accounted for by recognizing the share of assets, liabilities, revenues and expenses according to the rights and obligations of the partners. The investment in a joint venture, however, is accounted for in the consolidated financial statements using the equity method in line with the amended requirements of IAS 28. The investment in DuBay Polymer GmbH, Hamm, Germany, was previously accounted for using the proportionate consolidation method. This entity is to be regarded as a joint operation, since the partners exercise joint control over it, purchasing its entire output between them, and DuBay Polymer has no access to external sources of finance. The company is therefore accounted for according to LANXESS's shares of its assets,

liabilities, revenues and expenses. The application of the new or revised standards did not affect the classification of Currenta GmbH & Co. OHG, Leverkusen, Germany, as an associated company. It therefore continues to be accounted for using the equity method according to IAS 28. Finally, IFRS 12 relates to disclosure requirements. The application of the new or revised standards as a whole had no material impact on the LANXESS Group's financial position or results of operations.

Also mandatory as of the beginning of 2014 are the amendments to IAS 36 that were published in May 2013. The new rules make it clear that the recoverable amount of an asset or cash-generating unit now only has to be disclosed for periods in which an impairment loss has been recognized or reversed. Additional disclosures are required when an impairment loss is recognized or reversed and the recoverable amount is based on fair value less costs of disposal. Since the changes solely relate to the explanatory notes, their application has no impact on the financial position or results of operations.

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. Reference should be made as appropriate to the notes to the consolidated financial statements as of December 31, 2013, particularly with respect to the recognition and valuation principles applied.

Preparation of the consolidated interim financial statements requires that assumptions and estimates be made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods broadly consistent with those applied in the consolidated financial statements for 2013. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

The present interim financial statements do not contain any items that are considered unusual because of their nature, scope or frequency and have had a significant impact on the assets, liabilities, equity, results for the period or cash flows.

The business of the LANXESS Group as a whole is not subject to pronounced seasonality. However, in light of the business activities of the individual segments, sales and earnings tend to be stronger in the first half of the year. For example, volumes of agrochemical products in the Advanced Intermediates segment tend to be higher in the first six months of the year because of the growing seasons. The businesses with products for the construction industry in the Advanced Intermediates and Performance Chemicals segments are also seasonal in that sales are higher in the summer than in the winter months, when construction activity is lower.

## Changes in the scope of consolidation

The consolidated interim financial statements of the LANXESS Group include the parent company LANXESS AG along with all of its domestic and foreign subsidiaries.

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
<b>Fully consolidated companies (incl. parent company)</b>						
Jan. 1, 2014	23	12	5	5	20	65
Retirements		(1)			(1)	(2)
Mergers					(1)	(1)
<b>Sep. 30, 2014</b>	<b>23</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>18</b>	<b>62</b>
<b>Consolidated associates and jointly controlled entities</b>						
Jan. 1, 2014		2				2
Changes						0
<b>Sep. 30, 2014</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Non-consolidated companies</b>						
Jan. 1, 2014	2	2	1	3	2	10
Retirements					(1)	(1)
<b>Sep. 30, 2014</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>9</b>
<b>Total</b>						
Jan. 1, 2014	25	16	6	8	22	77
Retirements		(1)			(2)	(3)
Mergers					(1)	(1)
<b>Sep. 30, 2014</b>	<b>25</b>	<b>15</b>	<b>6</b>	<b>8</b>	<b>19</b>	<b>73</b>

In addition, two structured entities in the EMEA (excluding Germany) region are included in the consolidated interim financial statements.

The first-time inclusion of PCTS Specialty Chemicals Pte. Ltd., Singapore, acquired in 2013, in the consolidated financial statements was effected from April 5, 2013. The provisional purchase price allocation made with respect to this transaction was not adjusted in light of any new information or knowledge within one year from the acquisition date and is therefore final. The same applies to the purchase price allocations for the phosphorus chemicals business of Thermphos France S.A.R.L., Epierre, France, which was acquired on September 14, 2013. Details of these acquisitions and their effects on the LANXESS Group's consolidated statement of financial position are provided in the notes to the consolidated financial statements as of December 31, 2013, under the heading "Companies consolidated."

Nexachem Trading (Qingdao) Co., Ltd., Qingdao, China, was liquidated in the reporting period. In addition, PCTS Specialty Chemicals Pte. Ltd., Singapore, was merged with LANXESS Butyl Pte. Ltd., Singapore. LANXESS sold all the shares of Perlon-Monofil GmbH, Dormagen, Germany, effective March 19, 2014. These changes had no material impact on the LANXESS Group's financial position or results of operations.

## Increase in the capital stock

On May 7, 2014, the Board of Management of LANXESS AG resolved, with the consent of the Supervisory Board and pursuant to the authorization as per Section 4 Paragraph 3 of the articles of incorporation, to increase the capital stock of LANXESS AG by €8,320,266 against issuance of 8,320,266 new no-par bearer shares of the company while disapplying stockholders' subscription rights. The capital increase was entered in the commercial register of the Local Court of Cologne on May 9, 2014. The capital stock now amounts to €91,522,936 and is divided into 91,522,936 no-par bearer shares. Gross proceeds of the placement were €433 million. The related transaction costs were accounted for as a deduction from equity, net of tax effects.

## Earnings per share

Earnings per share for the third quarters and first-nine-month periods of 2013 and 2014 were calculated on the basis of the number of shares outstanding at the ends of the respective periods. They are derived solely from continuing operations. The capital increase effected in the second quarter of 2014 was included in the calculation pro rata temporis. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2013.

### Earnings per Share

	Q3 2013	Q3 2014	Change %	9M 2013	9M 2014	Change %
Net income (€ million)	11	35	> 100	45	115	> 100
Number of outstanding shares <sup>1)</sup>	83,202,670	91,522,936	10.0	83,202,670	87,455,250	5.1
<b>Earnings per share in € (undiluted/diluted)</b>	<b>0.13</b>	<b>0.38</b>	<b>&gt; 100</b>	<b>0.54</b>	<b>1.31</b>	<b>&gt; 100</b>

1) Weighted average number of ordinary shares in issue; capital increase accounted for pro rata temporis

## Payment of the dividend for fiscal 2013

Pursuant to the resolution of the Annual Stockholders' Meeting on May 22, 2014, the sum of €46 million out of the distributable profit of €48 million reported in the annual financial statements of LANXESS AG as of December 31, 2013 was paid out to the stockholders on May 23, 2014. The dividend per eligible no-par share was €0.50. The remaining amount of €2 million was carried forward to new account.

## Fair value measurement

The following table shows the volumes of assets and liabilities that were measured at fair value on a recurring basis as of the end of the reporting period and the levels of the fair value hierarchy into which the inputs used in valuation techniques were categorized.

### Assets and Liabilities Measured at Fair Value

€ million	Dec. 31, 2013		
	Level 1	Level 2	Level 3
<b>Non-current assets</b>			
Investments in other affiliated companies	4	–	–
Non-current derivative assets	–	20	–
Other non-current financial assets	–	1	–
<b>Current assets</b>			
Near-cash assets	106	–	–
Current derivative assets	–	58	–
Other current financial assets	0	–	–
<b>Non-current liabilities</b>			
Non-current derivative liabilities	–	12	–
<b>Current liabilities</b>			
Current derivative liabilities	–	22	–

### Assets and Liabilities Measured at Fair Value

€ million	Sep. 30, 2014		
	Level 1	Level 2	Level 3
<b>Non-current assets</b>			
Investments in other affiliated companies	4	–	–
Non-current derivative assets	–	5	–
Other non-current financial assets	–	1	–
<b>Current assets</b>			
Near-cash assets	241	–	–
Current derivative assets	–	12	–
Other current financial assets	0	–	–
<b>Non-current liabilities</b>			
Non-current derivative liabilities	–	16	–
<b>Current liabilities</b>			
Current derivative liabilities	–	86	–

According to the fair value measurement hierarchy, quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date are given the highest priority (Level 1). Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, are assigned to Level 2. Unobservable inputs for the asset or liability are given the lowest priority (Level 3).

The investments in other affiliated companies measured at fair value pertain to shares in the listed companies Gevo Inc., Englewood, United States, and BioAmber Inc., Minneapolis, United States. The item "Investments in other affiliated companies" in the statement of financial position also includes €9 million (December 31, 2013: €9 million) in non-listed equity instruments whose fair values at the end of the reporting period could not be reliably measured and which are therefore recognized at cost. There are currently no plans to dispose of these investments.

Most of the derivative financial instruments used by LANXESS are traded in an active, liquid market. The fair values as of the end of the reporting period pertain exclusively to forward exchange contracts and are derived from their trading or listed prices using the "forward method." Where no market price is available, values are determined using recognized capital market pricing methods based on observable market data. In determining the fair values, adjustments for LANXESS's own credit risk and counterparty credit risk are made on the basis of the respective net positions.

The near-cash assets include units of money market funds that can be sold at any time and are expected to be realized within twelve months after the end of the reporting period.

In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – where this can be reliably determined – is normally the carrying amount. Only the carrying amount of the bonds, at €1,454 million, differed significantly from their fair value, which was €1,608 million as of September 30, 2014. The carrying amounts of the bonds as of December 31, 2013 was €1,948 million and their fair value €2,032 million.

Additional information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as of December 31, 2013.

## Segment reporting

The reconciliation of EBITDA pre exceptionals to income before income taxes is presented in the following table:

<b>Reconciliation of Segment Result</b>				
€ million	<b>Q3 2013</b>	<b>Q3 2014</b>	<b>9M 2013</b>	<b>9M 2014</b>
<b>Total of segment results</b>	<b>227</b>	<b>243</b>	<b>696</b>	<b>781</b>
Depreciation and amortization	(114)	(100)	(332)	(302)
Other/consolidation	(40)	(33)	(137)	(127)
Exceptional items in EBITDA	(21)	(27)	(58)	(72)
Net interest expense	(28)	(16)	(81)	(55)
Income from investments accounted for using the equity method	0	1	0	6
Other financial income and expense	(4)	(13)	(26)	(44)
<b>Income before income taxes</b>	<b>20</b>	<b>55</b>	<b>62</b>	<b>187</b>

There were no segment changes in the reporting period.

## Changes on the Board of Management

At an extraordinary meeting in the first quarter of 2014, the Supervisory Board of LANXESS AG resolved to terminate Dr. Axel C. Heitmann's appointment as a member and Chairman of the Board of Management of LANXESS AG. The Supervisory Board appointed Matthias Zachert as his successor effective April 1, 2014. LANXESS's Chief Financial Officer Dr. Bernhard Düttmann performed the duties of the Chairman of the Board of Management until Mr. Zachert took office. In the third quarter of 2014, the Supervisory Board of LANXESS AG resolved to terminate the appointment of Dr. Werner Breuers as a member of the Board of Management of LANXESS AG. He will leave the company on May 31, 2015. Matthias Zachert will assume his tasks until further notice.

## Related parties

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners around the world. These include companies in which LANXESS AG has a direct or indirect interest. Transactions with these companies are carried out on an arm's-length basis.

Transactions in the third quarter and first nine months of 2014 with associated companies accounted for in the consolidated financial statements using the equity method, or subsidiaries of such companies, mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €98 million (Q3 2013: €95 million) and €315 million (9M 2013: €327 million), respectively. Receivables of €4 million and payables of €39 million existed as of September 30, 2014 as a result of these transactions (December 31, 2013: €5 million and €40 million, respectively). There were also obligations to these companies for future payments amounting to €4 million (December 31, 2013: €5 million) under operating leases and obligations of €5 million (December 31, 2013: €3 million) under purchase agreements.

In the third quarter and first nine months of 2014, production services totaling €1 million (Q3 2013: €1 million) and €3 million (9M 2013: €1 million), respectively, were provided to the LANXESS Group by jointly controlled entities. Loans receivable from jointly controlled entities as of September 30, 2014 totaled over €5 million (December 31, 2013: €5 million) and liabilities of over €1 million (€0 million).

No material business transactions were undertaken with other related parties. As in the previous year, no loans were granted to members of the Board of Management or the Supervisory Board in the first nine months of 2014.

## Employees

The LANXESS Group had 16,717 employees worldwide as of September 30, 2014, which was 626 fewer than on December 31, 2013 (17,343). The decrease was mainly attributable to the "Advance" program.

The number of employees in the EMEA (excluding Germany) region decreased by 124 to 3,320. Headcount in Germany came to 7,780, against 8,117 as of December 31, 2013. The workforce in North America decreased by 114 to 1,412. In Latin America, headcount decreased compared with December 31, 2013, from 1,560 to 1,478. The number of employees in the Asia-Pacific region advanced by 31 from 2,696 to 2,727. This was mainly attributable to the investment activities in those countries.

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in line with generally accepted accounting standards, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Cologne, October 27, 2014

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert

Dr. Bernhard Düttmann

Dr. Rainier van Roessel

Financial Calendar 2015

### March 19

Publication of results for fiscal 2014

### May 7

Interim Report Q1 2015

### May 13

Annual Stockholders' Meeting

### August 6

Interim Report H1 2015

### November 5

Interim Report Q3 2015

Please do not hesitate to contact us  
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